

England, which prevailed in Scotland after the union, presumed and enforced unlimited liability upon corporations except in the cases where special charters had been granted. There was much opposition to extending the principle of limited liability to private partnerships, but a statute of 1855 (Chapter 133) finally authorized the formation of joint stock companies under such conditions. Joint stock banks were excluded from the operation of this law and the exclusion was continued in the joint stock banking act of 1857. The failures of that year led to an enactment of 1858,<sup>1</sup> which admitted banks to the privileges of limited liability so far as concerned their general obligation's. Banks issuing promissory notes, however, were liable for the amount of the notes, without limitation, in addition to the sum for which they might be liable to general creditors. This act was merely permissive and required banking companies which took advantage of it to give thirty days' notice to each customer and after registering under the act to post conspicuously at their offices, on February 1st and August 1st of each year, a statement of their liabilities and assets.

The Act of 1858 would have averted the hardships of the stockholders in the City of Glasgow Bank if they had taken advantage of its provisions before the failure. The three older Scotch banks, however, held special charters which limited their liability and the others, aside from the natural indisposition to revise their constitutions, feared that the effect would be injurious to their credit. Thus matters remained until the collapse of the City of Glasgow Bank. Investments in bank shares were recognized by the law courts in Scotland as a legitimate investment of trust funds, but the trustees were personally liable for the calls made by the banks as well as to their clients, and many were ruined by the failure. A steady selling of shares began all over England and Scotland, by the prudent as well as those who were carried away by the flurry of the moment.<sup>2</sup> The shares of the three senior Scotch banks declined about 55 on an

<sup>1</sup> Statute 1858, c. 91.

<sup>2</sup> Gilbert, II., 39&